

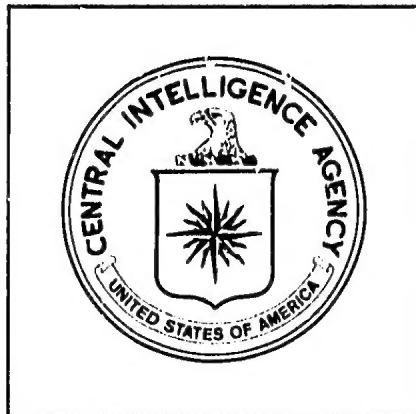
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MIDDLE EAST – AFRICA – SOUTH ASIA

This publication is prepared for regional specialists in the Washington community by the Middle East - Africa Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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EC-Iran.

*Support Grows in EC Council for
Preferential Trade Agreement*

The EC Council has moved closer to a decision on a preferential trade agreement with Iran. Signs of support for such a preferential agreement continue to grow.

France and Denmark support a broad preferential pact; [REDACTED]

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The US and Italy would probably prefer not to see a preferential arrangement signed, but do not want to offend Iran. [REDACTED]

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Ireland opposes preferential treatment for Iran, as does the EC Commission. Vice President Soames has argued that such an agreement would lead to a proliferation of demands for similar treatment and would undermine assurances given to the US.

Preferential treatment by the EC is a major goal of the Shah and he has shown a willingness to push the issue despite the well known objections of the US. In an interview this week with the German magazine *Der Spiegel*, the Shah said that growing economic ties between Iran and Europe gave his country the "absolute right to ask for preferential treatment," and he vowed to push his case even harder in the future. The Shah cited a French promise to support Iran's demand in the EC, and offered the opinion that German support would ensure a successful outcome.

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The Council has referred the matter back to the permanent representatives of the Nine in Brussels with orders to move rapidly in reaching a decision. The Commission recommendations under study fall short of a preferential arrangement, but call for industrial cooperation with Iran and Tehran's participation in the community's scheme of generalized preferences for developing countries. The foreign ministers will reconsider the issue at their next Council meetings on February 10 and 11.
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Malagasy Republic

Internal Rumblings

Armed forces were placed on alert on January 23 and troops took up positions around government buildings in Tananarive. These precautions may presage an announcement of changes in the three-year old military-civilian government headed by General Ramanantsoa.

Signs of serious divisions in the military have surfaced in recent weeks. According to the Malagasy press, there was an attempted coup on January 1; eleven junior officers and about 20 noncommissioned officers reportedly were subsequently arrested.

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[REDACTED] the dissension probably centers on a struggle for power between Colonel Ratsimandrava, interior minister and head of the gendarmerie, and army Colonel Rabetafika, the director general of the government and Ramanantsoa's right-hand man. They have been rivals for influence since the government came to power. Their conflict partly reflects traditional animosity between the gendarmerie and the army. Ratsimandrava also probably resents Rabetafika's access to Ramanantsoa. Differences over recent government economic measures may have sharpened their rivalry. They reportedly have exchanged bitter words, with Ratsimandrava accusing Rabetafika of taking bribes.

Up till now, Ramanantsoa has refrained from taking sides in his subordinates' dispute. He may now have decided to make some changes before the military unrest becomes more serious. (CONFIDENTIAL)

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Angola

Returning Refugees May Cause Problems

Included in the recent accord establishing a transitional government for Angola are provisions for the return to the territory of a large number of Angolan refugees living in Zaire. If the refugees decide to return, they will carry with them the potential for serious political and economic disruption in the territory.

Although the exact number of refugees is unknown, a Portuguese estimate of 750,000 appears reasonable. The refugees fled to Zaire in the early 1960s following a violent white reaction to the outbreak of insurgency by the National Front for the Liberation of Angola. The front has since recruited heavily among these refugees and has received financial support from those who learned skills and established themselves in the Zairian economy.

The accord calls for the transitional government to set up facilities for the return of these refugees, preferably in time for them to vote in the constituent assembly elections that are to be held. They will represent a powerful bloc of political support for the National Front, as well as a source of military recruits.

Having learned skills in Zaire, many of the refugees are likely to go to Luanda and other urban areas rather than return to the countryside. This will put them in direct competition for jobs with local blacks and whites. The whites, who already feel their jobs may be jeopardized, will not welcome this additional influx of labor. Moreover, most black and white urban workers appear to favor the Popular Movement for the Liberation of Angola, another liberation group long in competition with the National Front.

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After a decade of exile, many refugees speak French as a first language and have been absorbed into Zairian society. Some of them may decide to remain in Zaire. The Zairian government, however, beset by high unemployment and anxious to limit foreign involvement in the economy, may well encourage them to leave. (CONFIDENTIAL)

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India

Kashmir Agreement May be Imminent

The New Delhi government and Sheikh Abdullah, the Kashmiri nationalist leader, appear close to an agreement that will return the Sheikh to power in Kashmir, but not dilute India's control over two thirds of the disputed state.

During the past two years, emissaries of Prime Minister Gandhi and the autonomy-minded Sheikh have held secret talks aimed at reaching an accord that would make Kashmir's incorporation into the Indian Union in 1947 more palatable to the predominantly Muslim Kashmiris. At the same time, New Delhi has tried to destroy any lingering notions among the Kashmiris that India might honor its pledge of 1947 to hold a plebiscite to determine whether they would prefer accession to Pakistan.

Following a round of talks in New Delhi last week with Mrs. Gandhi, the Sheikh said an agreement was "probable," and he left for Kashmir to sound out his followers. He is due to return to New Delhi in a few days.

If the 68-year old Kashmiri leader signs an agreement, he will reportedly be reinstated as Kashmir's prime minister. He was deposed and arrested in 1953 when he came out in favor of Kashmir's emergence as a fully autonomous state guaranteed by both India and Pakistan. In the last several years he has made amends with Mrs. Gandhi and has acknowledged the finality of Kashmir's accession to India. As part of the new settlement he reportedly is willing to merge his political party, the Plebiscite Front, with Mrs. Gandhi's Congress Party which controls the Kashmir government.

The conclusion of an agreement seems to hinge on the Sheikh's acceptance of several key points

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including the right of the central government to declare an emergency and take control of the state government and the jurisdiction of the Indian Supreme Court and the national election commission over Kashmiri territory.

Mrs. Gandhi reportedly wants to conclude an agreement soon. Should she hold parliamentary elections this spring, the accord could be heralded as a major achievement by her administration.

Pakistan has already informed New Delhi that it would regard a settlement with the Sheikh as a violation of the 1972 Simla Agreement. The two countries agreed at Simla to resolve their differences peacefully through bilateral negotiations and postponed indefinitely talks leading to a final settlement of Kashmir. Pakistan has long been committed to self-determination for the Kashmiris. A change in the political set-up in Indian-held Kashmir is likely to dampen prospects for a restoration of Indian-Pakistani diplomatic relations and intensify Pakistani fears of Indian intentions.
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